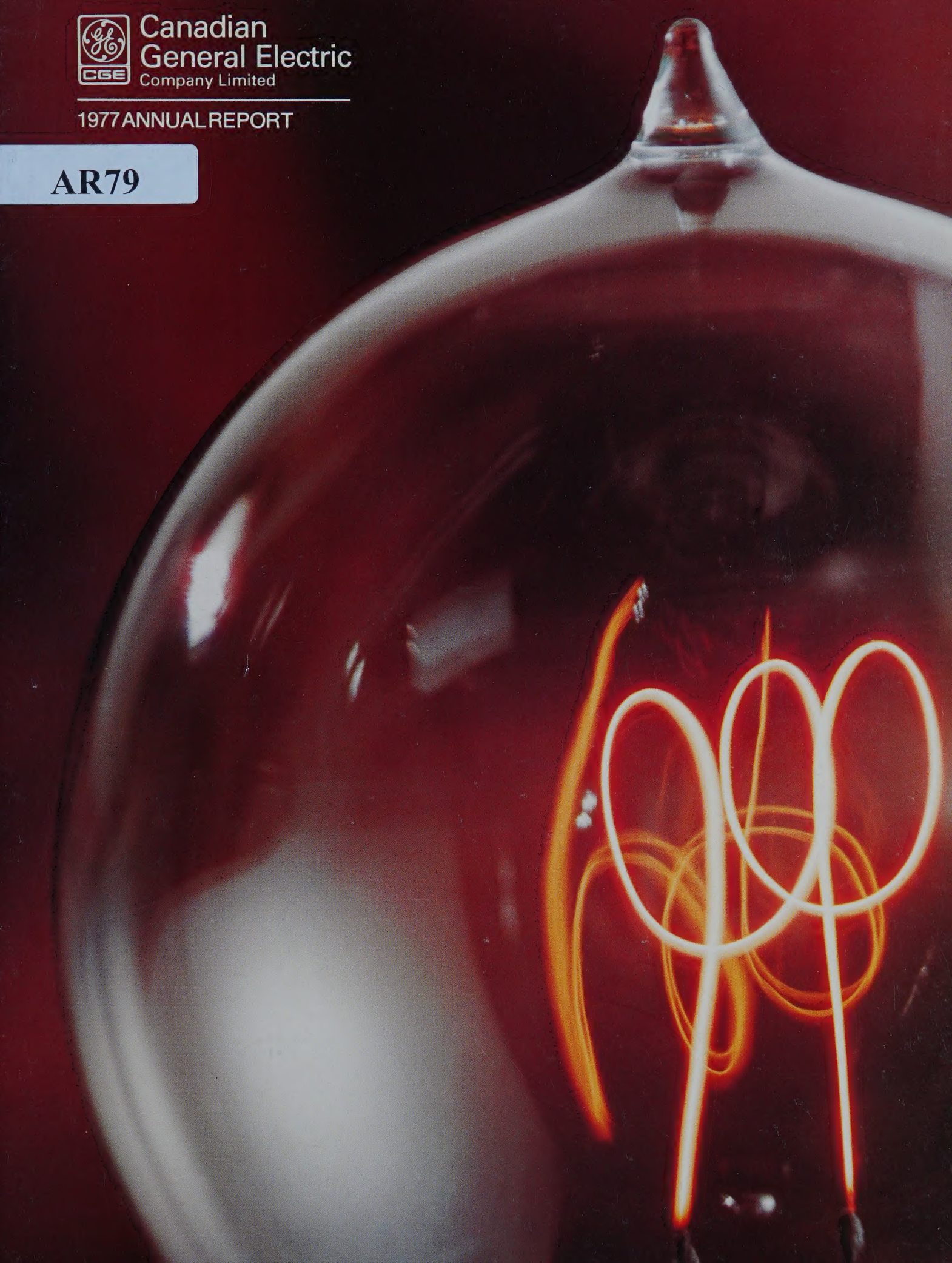




Canadian
General Electric
Company Limited

1977 ANNUAL REPORT

AR79





Cover: "Red hot hairpins in glass bottles" is how contemporaries described early incandescent lamps. A replica of the first such lamp — developed by Thomas Edison almost one hundred years ago — is shown on the front cover. Canadian General Electric's first plant, at Peterborough, Ontario — which numbered incandescent lamps among its products — was formerly part of the Edison General Electric Company. In 1893, CGE's first full year of operation, Company sales were \$500,000. In 1977, for the first time, they totalled over one billion dollars.

The Annual General Meeting of Shareholders of Canadian General Electric Company Limited will be held in "Commerce Hall", Commerce Court West, (King & Bay Streets), Toronto, Canada, on the 20th day of April, 1978, commencing at 10 o'clock in the forenoon.

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Pour un exemplaire de ce rapport en français, s.v.p. écrire au Secrétaire.

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Highlights of operations

	1977	1976
Financial		
Sales of products and services (millions)		
Domestic	\$ 969.2	\$ 779.2
Export	110.5	100.2
Total	1 079.7	879.4
Net earnings (millions)	30.5	32.7
Dividends declared per common share (dollars)	1.55	1.40

Measurements

Net earnings per share (dollars)	\$ 3.73	\$ 4.00
Net earnings as a percentage of sales	2.8 %	3.7 %
Net earnings as a percentage of average shareholders' equity	9.8 %	12.0 %

Statistical

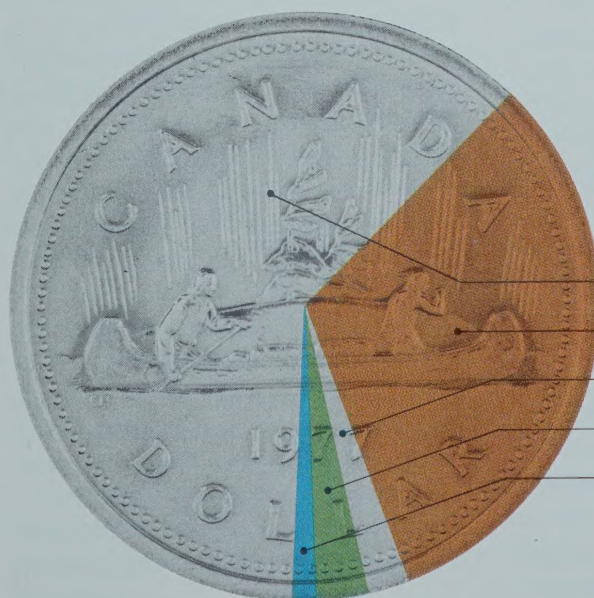
Average number of employees	18 823	17 512
Number of common shareholders at year-end	1 306	1 330
Common shares outstanding at year-end	8 178 800	8 178 800

Sales by major category (thousands)

Apparatus and Heavy Machinery	\$ 449 991	\$ 432 503
Construction and Industry Supplies	265 137	264 519
Consumer Products	393 758	209 965
Corporate eliminations and unallocated items	(29 159)	(27 560)
	\$1 079 727	\$ 879 427

Sales by category include intra-company transactions. To the extent that sales are recognized in more than one category, appropriate elimination is made at the corporate level.

The 1977 data reflects the incremental effect resulting from the formation of the Canadian Appliance Manufacturing Company Limited.



Distribution of sales dollar

To suppliers	62.2%
To employees	31.6
Taxes	2.2
Reinvestment	2.8
Dividends	1.2

Report to shareholders



Sales of products and services for Canadian General Electric in 1977 totalled \$1.1 billion compared with \$0.9 billion in 1976. Included in 1977 are the incremental sales resulting from the formation of Canadian Appliance Manufacturing Company Limited which began operations January 1, 1977.

Net earnings for the year were \$30.5 million or \$3.73 per share compared with \$32.7 million or \$4.00 per share, before extraordinary items, in 1976.

Export sales, both direct and indirect, came to \$110.5 million in 1977, a 10% increase from 1976. These sales were made to more than 50 countries, with significant sales to 20 of these countries. Of total exports, 58% went to the United States, 13% to Western Europe, and the balance to other countries in North and South America, Asia, Africa, Australia, Eastern Europe and New Zealand.

Dollars received from customers in 1977 were spent as follows: 31.6% went to employees in the form of wages, salaries, and benefits, and 62.2% went to suppliers of materials and services. The remaining 6.2% was divided between taxes to governments, 2.2%; dividends to shareowners, 1.2%; and investment in modernization and expansion, 2.8%.

New orders in 1977 totalled \$1.2 billion. The Company ended the year with an

orders backlog of \$1.0 billion, up 11% over the previous year. A substantial portion of new orders are for long-cycle utility projects for delivery after 1978.

In apparatus and heavy machinery, sales in 1977 were slightly above the previous year's level. Highlights of the year included the successful commissioning of the first two of ten hydraulic turbine and generator sets for Manitoba Hydro's Long Spruce project. Of particular note was the completion of five years outstanding performance of the first solid state High Voltage Direct Current link between two utility systems in Canada, connecting the transmission systems of Hydro Québec and the New Brunswick Electric Power Commission, at Eel River, New Brunswick.

Export orders involving drive systems and equipment for paper mills were received from Poland, New Zealand and Iran.

For Venezuela's Guri I power project, the commissioning of 4 hydroelectric generators, each rated 360 MVA, was completed. This customer has continued to show confidence in the Company by placing an order for 5 units of the Guri II project. These machines, each rated 700 MVA, will be the largest air-cooled hydroelectric generators in the world. This \$52 million order is supported by Export Development Corporation financing.

In construction and industry supplies, sales for 1977 continued to be adversely affected by weak market demand. Price levels in the market continued to be depressed, resulting in margin erosion and lower earnings. There were some outstanding achievements, however. A shipment of 2000 specially equipped baseboard heaters was airlifted to Northern Italy after the Friuli earthquake. A large repeat order for Filament-wound Reinforced Epoxy (FRE) duct, a Canadian-designed product, was received from Saudi Arabia. The Company also supplied the power and control cable for two new Canadian icebreakers.

In consumer products, sales in 1977 were affected by prolonged soft consumer demand. Margins continued to erode, as selling prices did not keep pace with increases in costs. A record 30 new housewares and home entertainment products were introduced, ranging from 40-channel CB radios to food processors.

Many of these products were designed with special energy conservation features. Exports of lamps set another new record at \$8 million, up \$2 million from 1976. The television business experienced another difficult year and the decision to discontinue manufacturing has been announced after a careful study of alternatives.

Canadian Appliance Manufacturing Company Limited, the new company established by GSW Limited and CGE, got off to a good start, despite heavy start-up costs which affected 1977 earnings. Rationalization of production among the five manufacturing plants proceeded on schedule with the cooperation and support of employees. The year saw the successful reintroduction of the Hotpoint* brand of major appliances to the Canadian market and the company is well positioned to respond to improving market conditions.

Capital expenditures of \$25.3 million in 1977 were 20% higher than in 1976. In addition to heavy investment for equipment in existing plants to improve cost competitiveness and the working environment, capital expenditures included the establishment of a plant near Quebec City for the production of bus duct; a plant in England for the assembly of range timers for the U.K. market utilizing components from the Quebec City meter and instrument plant; and expanded Apparatus Service Shop operations in Bathurst, New Brunswick; Sept-Iles, Quebec; Winnipeg, Manitoba; and Edmonton, Alberta.

Productivity improvement programs continued to receive high priority in 1977 and were supported by significant expenditures. More than half of the year's new investment was allocated to productivity improvement. For example, the Lamp Department added new high speed machinery for the manufacture of incandescent lamps. Dominion Engineering Works ordered an electric induction furnace for the iron foundry to improve productivity in the metal conversion process and to improve the working environment.

Energy conservation also continues to receive serious attention. In plant operations, the focus has been on reduction of heat loss, and great strides were made in ceiling heat recovery in tall buildings. In products, energy-efficient heat pumps for home and industry were established in a new business component to ensure the appropriate allocation of Company resources to this growth business. A new fluorescent lamp bearing the trademark "WATT-MISER"® and a more efficient lighting ballast were also introduced in 1977. Designs have recently been completed for new higher efficiency motors for the industrial market.

The Canadian economy in 1977 was characterized by continued slow growth in the output of goods and services and the low level of investment continued to be an important dampener to recovery.

There were some positive notes. In particular, Government policy of allowing the Canadian dollar to seek its own level and the drop in its value over the past year has improved Canadian price competitiveness in world markets. Another note of encouragement was the Government's introduction of the 3% inventory allowance to help offset the cash drain on business resulting from high inflation rates. Selective constraints on spending by the federal and provincial governments also contributed to the improvement of business confidence.

For 1978, there are indications that economic activity will improve. The Government has applied a modest stimulus in the form of tax cuts, and has removed a major cause of uncertainty by announcing a timetable for dismantling anti-inflation controls.

In the longer-term perspective, the current round of multi-national trade negotiations presents formidable challenges to Canada's negotiators, and the results will have a significant impact on the future competitiveness of Canadian manufacturers in both domestic and international markets. The increased Government consultation with industry will give Canadian negotiators the information with which to assess the impact of any tariff changes on various sectors of Canadian industry.

The Government recently introduced changes in its **Research and Development** support programs. Such programs are vital in helping business

create a strong Canadian technological base and a more competitive Canadian industry. The Company supports the growing acceptance that tax incentive programs, rather than direct grants, would be the strongest motivator for increased Canadian research and development. To be effective, a tax credit of at least 25% of R & D expenditures is necessary, and the programs must be long term, up to 10 years, if they are to yield optimum results.

Your company is confident that Canada's underlying strengths, properly utilized, can provide the basis for sustained economic growth and well-being of all Canadians.

At the end of 1977, Mr. Robert V. Corning retired from the Board after more than 10 years of distinguished service. Because of heavy commitments, Mr. J. Peter Gordon has declined to stand for reelection. The Directors wish to express their gratitude for their valuable contributions to the Company.

The Directors also wish to thank all employees for the vital role they have played in helping the Company overcome the many challenges of a difficult year.

On Behalf of the Board of Directors,



Alton S. Cartwright,
Chairman of the Board
and Chief Executive Officer

March 6th, 1978

* Canadian Appliance Manufacturing Company Limited is a registered user of this trademark of General Electric Company.

As Canada has grown through the strength and diversity of its people and its regions, Canadian General Electric, since its establishment in 1892, has matched in many ways that diversity in developing products, services and technology to meet the nation's requirements.

The Company, which includes two operating divisions with four product departments each, the Gescan distribution business, and Genelcan Limited with its subsidiary Genelcan Realty Limited, has plants, service shops and offices across the country. Each of the departments has developed its own identity and skills based on the characteristics of the markets it serves; skills that have led not only to considerable domestic growth, but increasingly to strong positions in world markets.

To acquire and utilize these skills to best advantage, the Company has grown and diversified. Its products include nuclear fuel and coffee makers, giant hydraulic turbines and lamps, molded plastics and huge power transformers, CB radios and underground utility ducts . . . and many more.

Following are brief descriptions of each department's basic character and highlights of what each contributed in 1977.

Apparatus and Heavy Machinery Division

Apparatus and Heavy Machinery Division comprises Dominion Engineering Works Limited and the Power Generation, Power Delivery, and Industrial Apparatus product departments together with the Apparatus and Heavy Machinery Sales Department.

While the level of domestic market activity can best be described as moderate for the Division in 1977, a record year for export orders provided an important market with good prospects.

As the result of the Division's ability to manufacture extremely large hydraulic turbine and generator units, it is achieving an increasingly important position in international markets. Two of its projects, at the Grand Coulee Dam extension in the United States and the Guri Dam in Venezuela, require the largest hydraulic turbines and generators to be manufactured in the western world.

But while orders for such large equipment constitute the Division's basic

export business, 1977 saw many new market areas opened for industrial apparatus and equipment of all types.

Included in this important new export field were: electric drives for paper machinery in Poland; electrics for a cement plant in Indonesia; a large switchgear order from San Salvador; small power transformers for Trinidad and Tobago; electrics for an industrial complex in Peru; Lodtrak® relays for India; a large motor order from Australia; electrics for a pulp and paper plant in New Zealand.

With the realignment of currencies having the effect of making Canadian industry more competitive in international markets, it is expected that there will be an increasing number of export opportunities.

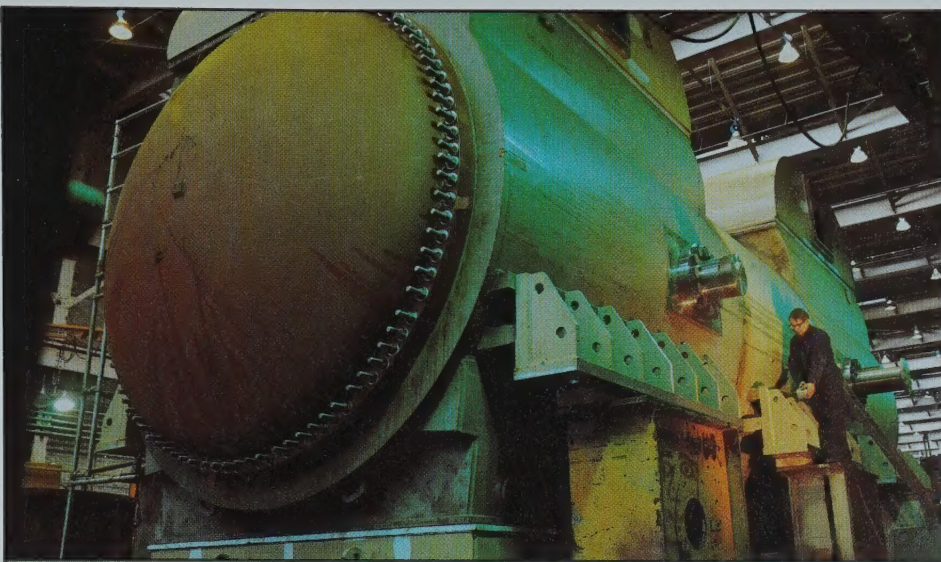
POWER GENERATION

Power Generation Department manufactures products to serve electrical power generation requirements of domestic and foreign markets. Products include steam turbine generator sets, hydro-electric generators, nuclear fuel, nuclear fuel handling systems, and large motors for nuclear pumps.

Indigenous design expertise in hydro-electric generators gained in the domestic market has led to the construction by the Department of some of the world's largest machines. In fact, the ability to manufacture such units produced two record achievements — the supply of the western world's first water-cooled and the highest-KW-rated-ever hydro generators for the Grand Coulee Dam extension project in the United States, and the world's highest-rated, air-cooled hydro generators for the Guri project in Venezuela.

In 1977, the last of four hydro-electric generators for the Mica Creek project in British Columbia was commissioned. At 457 000 KVA, the units were the highest-rated the Company had designed and built prior to the Grand Coulee project. There was a time span of just 10 months between commercial start-up of the first and last of the units.

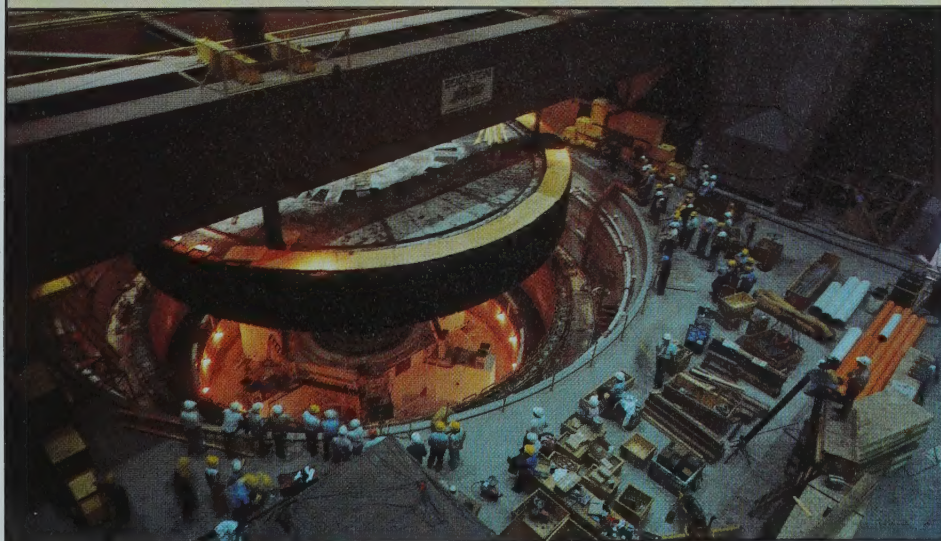
The technological achievements of Canadian science and industry in the nuclear field, with the very successful Candu reactor, have provided the



The stator for the first of four 960 MVA Steam Turbine Generators for Ontario Hydro's Bruce "B" Nuclear Power Plant being manufactured in Peterborough.



CGE Peterborough crew supervises installation of fuel channels in Hydro Quebec's Gentilly II reactor.



The rotor of a CGE 718 000 KVA, 85.7 rpm hydro-electric generator is lowered into position at the Grand Coulee power house on the Columbia River in Washington State, U.S.A.

Department with a growing specialized market.

CGE nuclear fuel is being used in Ontario Hydro's Pickering and Bruce "A" stations. Reactors at Bruce "A" are being successfully refueled, while producing power, by fueling machines designed and built at Peterborough.

A major order received from Ontario Hydro in 1977 for the fuel handling equipment for Bruce "B" is the largest yet for this type of equipment. Replacement nuclear fuel bundles are also on order for the Pickering, Bruce "A" and Douglas Point stations.

The Department has led in the design of large, vertical electric motors that drive nuclear heat transport pumps. The prototype motor for the Bruce "B" station was placed on test in 1977. It is the first of 17 vertical motors to be supplied, each rated at 11,000 horsepower. The units, each 15 feet high and 50 tons in weight, run at 1800 rpm.

Improvement of the Department's facilities in both Peterborough and Scarborough is continuing to permit manufacture of larger equipment. At Scarborough, where the Ontario Hydro Wesleyville and Bruce "B" steam turbines are being manufactured, a \$2 million investment in new fabrication facilities was completed in 1977. This included grit blasting and steel-plate burning equipment and a 60-ton overhead crane. The efficiencies provided by the new equipment, supported by an intensive team effort by employees, led to major productivity gains in the plant.

At Peterborough, a major extension of the generator manufacturing facility is underway to permit future piling, testing and winding of the four 960 MVA Bruce "B" steam turbine generators. The stators for these machines will be the largest ever built in Canada and require an increase in crane lifting capacity to 365 tons.

POWER DELIVERY

Power Delivery Department supplies the equipment used to deliver electricity from generator to end user, a product range that includes transformers, rectifiers, switchgear, meters, instruments and range timers.

The Department's main effort has been directed toward improving its competitive position by lowering costs. Continued investment in new equipment and

systems has led to substantial annual productivity improvements.

In 1977, the Guelph Transformer Plant installed a production control system, utilizing microprocessors, that is expected to repay its \$20,000 cost several times each year.

At the Switchgear Section in Peterborough, a new Optishear has reduced wastage of expensive materials and achieved production efficiencies. A Cinturn numerically-controlled lathe will provide annual savings of \$140,000.

An AGIE numerically-controlled electrical discharge machine is the latest acquisition at the Quebec City Meter and Instrument Plant. This computerized unit substantially reduces the cost of punches and dies, and permits manufacture of parts in Canada that were formerly imported.

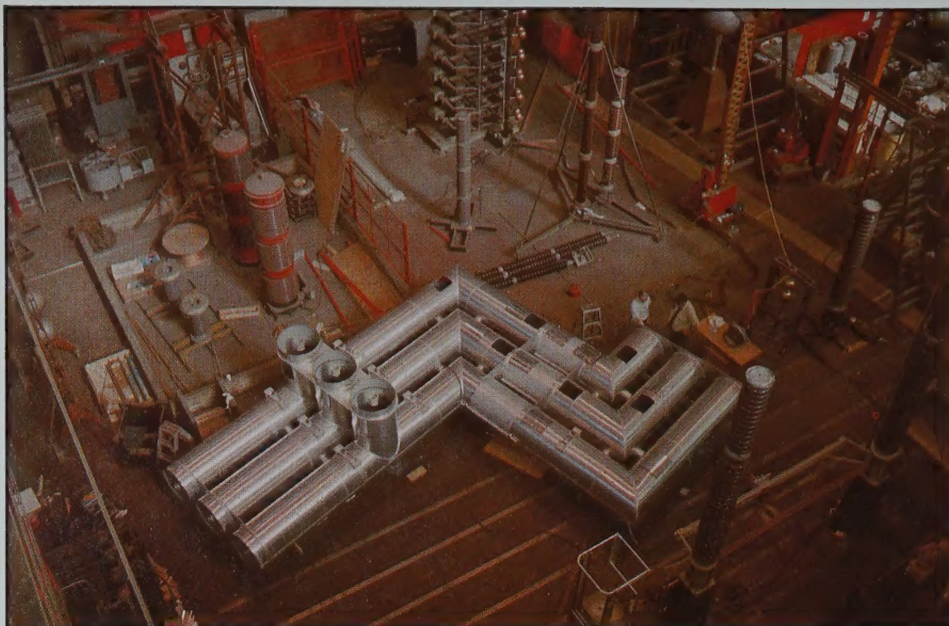
Also at Quebec City, the manufacturing capacity for watthour meters was expanded in 1977 with the acquisition of equipment obtained when Ferranti-Packard discontinued its Canadian meter operations. CGE purchased the equipment and a stock of renewal parts and can now meet an increased demand for watthour meters.

Another major department effort was to support customers' increasing need to conserve energy by fully utilizing present power systems. As an example, the Guelph Transformer Plant's Total Reliability program helps to ensure that transformers provide high in-service reliability and efficiency.

The combination of reliability and cost consciousness paid off during the year with several good orders. Among them was a contract for very large bus duct (16 lengths totalling more than one mile) for the James Bay Energy Corporation's LG-2 project. Each unit will carry in excess of 17,000 amps at 15KV. Delivery is to start in 1978 and continue through 1981.

Another major order, for power step-down transformers, rectifier transformers, rectifiers, capacitors and tuning reactors, was received from Alcan Smelters and Chemicals Ltd. for phase one of the Grande Baie smelter near Lac St. Jean, Que.

The year also saw CGE's first permanent offshore manufacturing facility



More than a mile of very large bus duct, similar to that pictured, has been ordered for the James Bay Energy Corporation's LG-2 project.



This Cinturn numerically-controlled lathe will provide savings of \$140,000 a year at Peterborough.

Meeting the 'Total Reliability' commitment — a 735KV shunt reactor for James Bay Energy Corp. undergoes thorough high-voltage testing at Guelph plant.

established when a small range timer assembly plant was opened in the north of England. The new company, Cange Ltd., will assemble timers for the U.K. with parts supplied by the Quebec City Meter and Instrument plant.

INDUSTRIAL APPARATUS

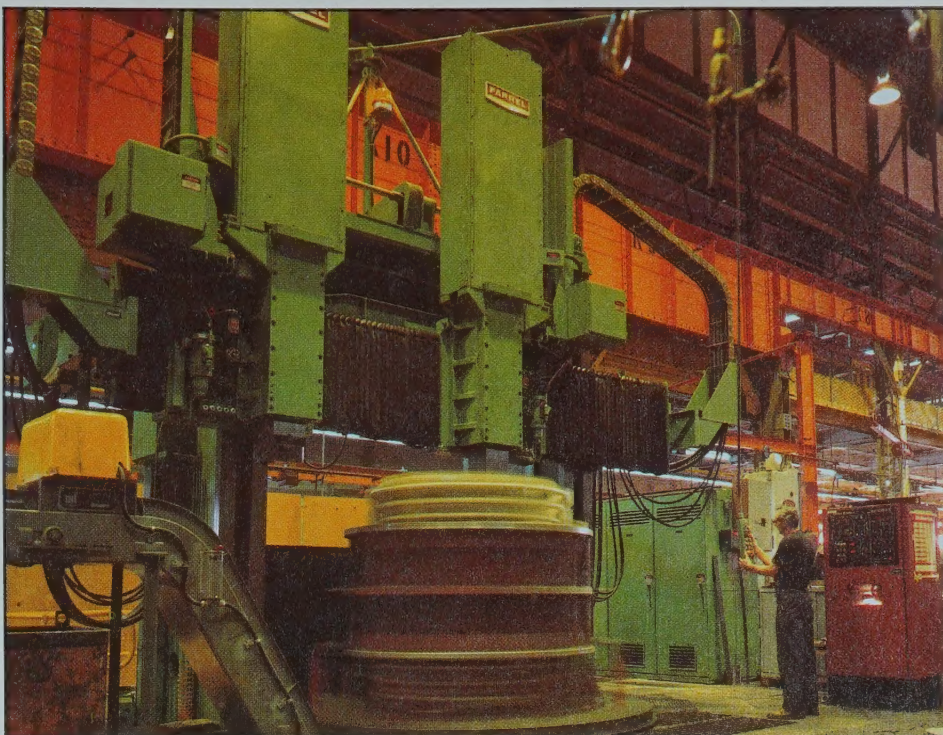
Industrial Apparatus Department manufactures a wide variety of motors, both AC and DC, ranging in size from fractionals to multi-thousand horsepower, and with applications from residential to large industrial and commercial. It produces large custom designed motors for utilities, industrial and marine applications, and generators, traction motors, and controls for diesel-electric locomotives and off-highway "electric wheel" vehicles. Sophisticated drive systems for use in the metal rolling, pulp and paper, and mining industries utilizing computer control as required, are also a major element of the Department operations.

Export business, expansion of service shop facilities, and an order for the installation of one of the biggest draglines in Canada highlighted 1977 for the Department.

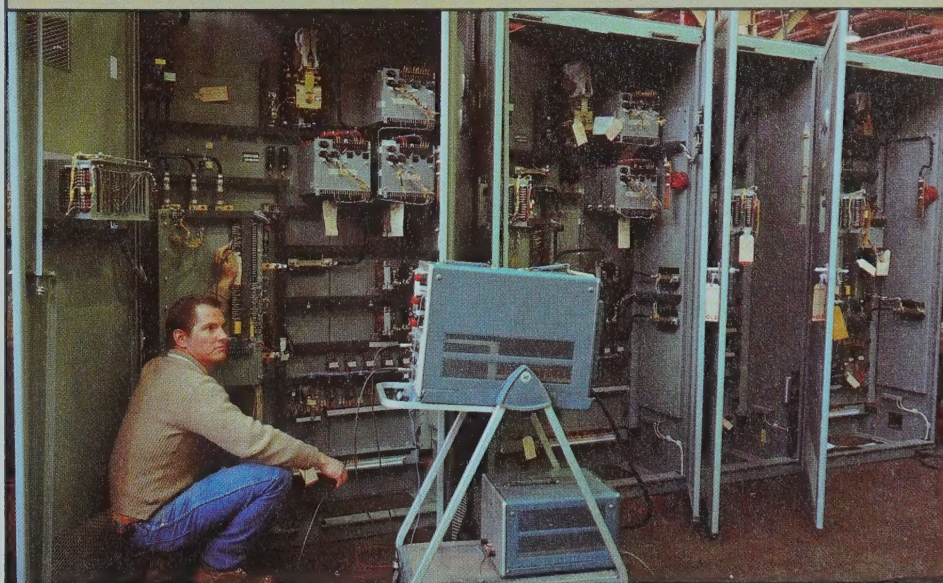
Export orders of special note were from Poland, New Zealand, and Iran and involved equipment for paper mills. The Polish order, worth \$4.5 million, was for drive equipment for two pulp and four paper machines being installed at a new mill near Kwidzyn in Northern Poland. The order from New Zealand Forest Products was for a replacement drive system for a papermaking machine being revamped, and the one from Iran was for a number of large synchronous motors.

New apparatus service shops were built in Edmonton and Winnipeg, the existing Bathurst, N.B. shop was doubled in size, and the Montreal Armature Company expansion, largely completed in 1976, was officially opened. This is one of the Company's fastest growing business areas, and with these additions it now has eight strategically-located, well-equipped shops providing complete apparatus repair service across Canada.

The dragline is being erected near Estevan, Saskatchewan, to surface mine coal for the new Boundary Dam thermal power station. It will be seven stories high, weigh 13 million pounds and its boom, at



Vertical boring mill is the largest numerically-controlled machine at Peterborough plant. Installed in 1977 at a cost of \$750,000, the unit's table takes weights to 100,000 tons and pieces as large as 10 feet in diameter.



Electrics for paper and pulp machine drives for a new mill in Poland being tested in Peterborough shops.



Two new apparatus service shops, at Winnipeg and Edmonton (shown here), were opened in 1977.

360 feet, will be longer than a football field. Its scoop will dig 90 cubic yards at a time.

Major investments in motor redesign and plant equipment are also paying off for the Department. Last year the "Frame 30" general-purpose fractional horsepower motor was redesigned to reduce manufacturing cost and motor weight, and to greatly increase its versatility of installation. The move will improve the quality and customer acceptance of the motor, widely used in home heating applications.

As well, substantial investment was made during the year in automated equipment to improve plant productivity, including a large numerically-controlled vertical boring mill and a computerized inspection machine.

A highlight of the ongoing business information system work was a new computerized quotation and order-printing system for renewal parts which is saving customers a great deal of time by simplifying and expediting quotation and ordering procedure.

DOMINION ENGINEERING WORKS

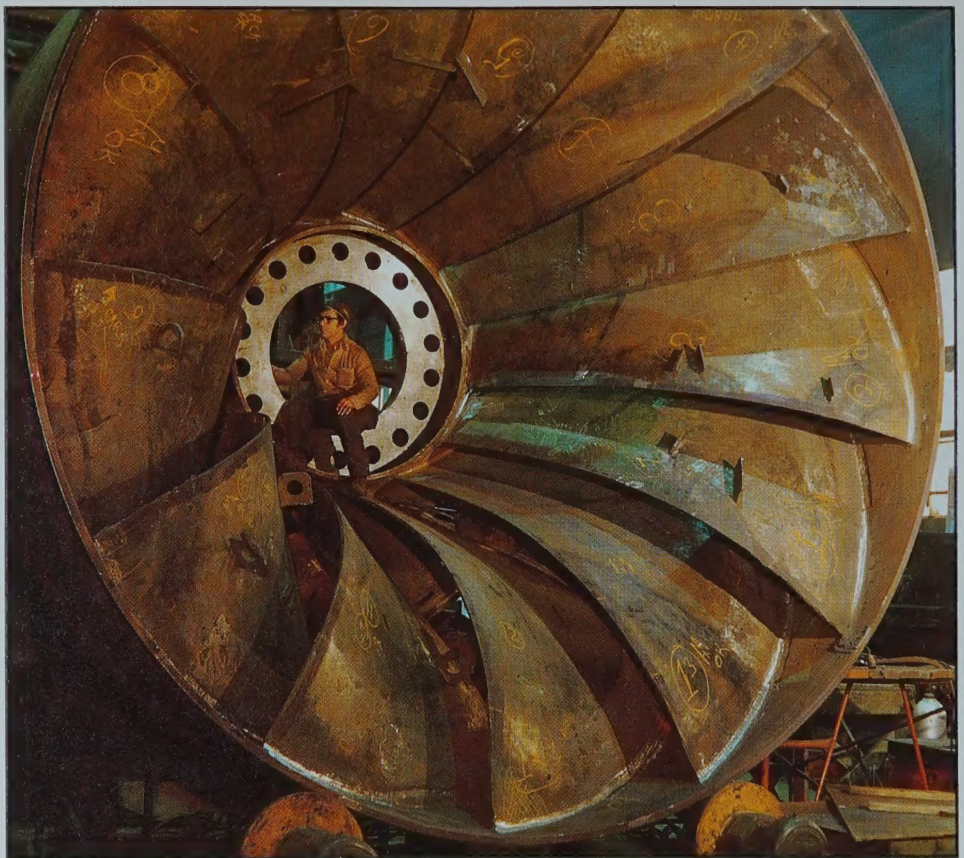
Dominion Engineering Works Limited, located in Lachine, Québec, has developed major national and international markets for its hydraulic turbines, ore grinding mills, steel rolling mills and papermaking equipment.

Capability of manufacturing equipment in extremely large sizes but to very fine tolerances has won orders from a wide variety of countries and set many records.

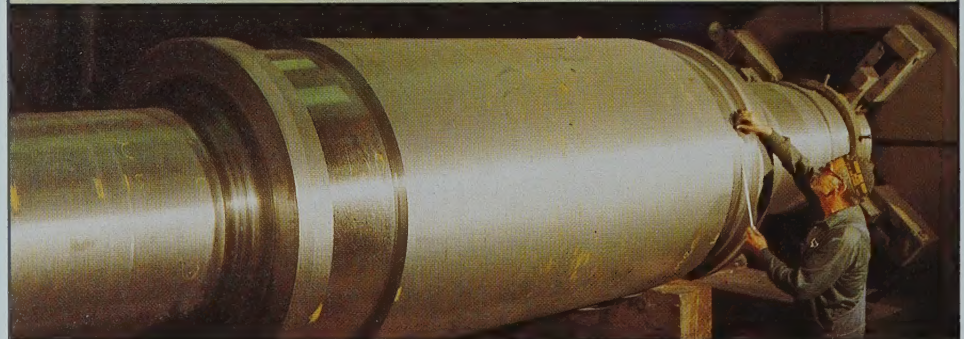
This world reputation, combined with D.E.W.'s ongoing research and development effort aimed at even larger sizes and greater efficiency, brought the affiliate some very good orders in 1977.

Among them were eight 338 MW hydraulic turbines for the James Bay Energy Corporation's La Grande 2 (LG-2) project and ten 195 MW hydraulic turbines for La Grande 3. There was also an order for a flying rotary crop shear for Dofasco's 80-inch hot strip mill in Hamilton and the rebuild of a large slab mill for Ipsco in Regina.

On the international scene, Eletrosul of Brazil ordered four 343 MW turbines for its Salto Santiago project (to be supplied in conjunction with General Electric do Brasil) and Productore Nacional de Papel



Giant Francis runner for the Harris Dam, of the Alabama Power Company is shown being fabricated at Dominion Engineering Works, Lachine, Québec.



Steel mill roller for Ipsco in Regina is largest ever contracted by Dominion Engineering Works.



Gun drilling of suction roll for a paper machine for export to Turkey from D.E.W.

Destinado of Mexico ordered a rebuild of the dry end of a newsprint machine that uses recycled paper.

Major installations completed by D.E.W. during the year included four 137 MW Kaplan turbines for the Moxoto project of CHESF in Brazil, as well as a 64 MW impulse turbine at the Kundah 3 project in India.

The year also saw the successful commissioning of the first two of ten 101 MW propeller-type turbines at Manitoba Hydro's Long Spruce project, and the installation of ore grinding mills at Sar Chestmeh in Iran, Mexicana de Cobre in Mexico and CVRD in Brazil.

In support of future business, D.E.W. continued research and development work on several projects including the Papriformer twin-wire former, and moved to position the company to take advantage of the anticipated pump-turbine market by launching a major developmental project with Hydro Québec.

The year saw further significant steps taken toward increasing plant efficiency and lowering costs. An induction melting facility was ordered for installation in 1978 to replace pulverized coal burning equipment and provide not only improved foundry productivity and casting quality, but also fuel savings and the solution to a major pollution problem.

As well, the plant continued with its program of replacing manual controls on overhead cranes with radio controlled units and obtaining maximum utilization of the large number of numerically-controlled machine tools installed in recent years.

Consumer and Construction Products Division

This Division comprises the Construction Products, Materials and Specialty Systems, Lamp, and Housewares and Home Entertainment departments. Because of the economic circumstances prevailing in 1977, many of the Division's domestic markets showed little or no growth, although signs of improvement became apparent in the closing months of the year. Export orders received were at a record level in 1977, including sealed beam and miniature lamps to West Germany and the United Kingdom, kettles to the United States and Filament-Wound Reinforced Epoxy (FRE) duct to the Middle East.

Lower construction activity and lack of strength in consumer product markets made the year one of consolidation, planning and reorganization to secure a strong base for operations through the challenging period ahead. In spite of the weak economic climate, there were many areas of significant growth including polymer, silicones and insulation products, molded plastics, wire and cable, housewares, heat pumps, computer services and photo lamps.

Cost control, productivity gains and business rationalization were emphasized. Important results were obtained in many areas including the installation of a mini-computer in the Housewares plant in Barrie, Ontario, to control inventory, improve scheduling and minimize lead times.

A variety of new products was developed with special emphasis on reliability, energy conservation, and reduced cost. These additions included WATT-MISER fluorescent lamps, Econoglow[™] and Low Mount[™] to round out the indoor lighting line, a wide range of new appliances for the kitchen, and many new computer programs. Market planning and customer service were also stressed.

CONSTRUCTION PRODUCTS

Construction Products Department, based at the Toronto Davenport facility and including operations at Toronto Ward Street Plant, Markham and Peterborough, manufactures Canada's largest range of



Response to customer requirements for reduced energy, installation and maintenance costs came with new ballasts (1), circuit-protective device products (2) and wiring devices (3).

An emergency airlift of 2,000 baseboard heaters similar to this one was sent to Northern Italy after the disastrous Friuli earthquake.

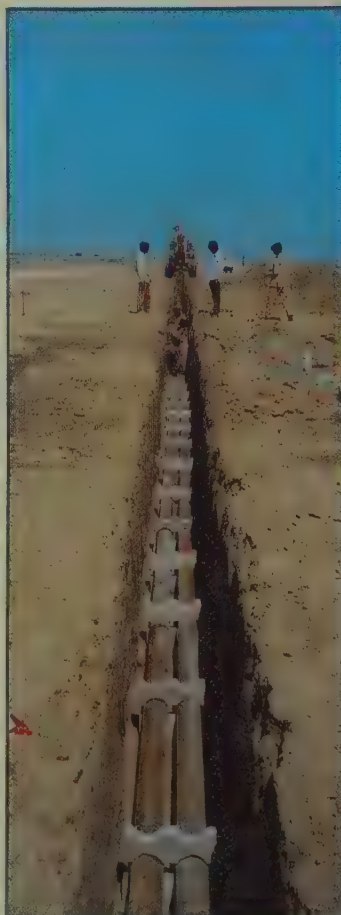


Important application of Lexan polycarbonate sheet was permanent glazing on tridetic dome roof of Winnipeg's Rainbow Stage, replacing weathering vinyl.



Mobile radio installations such as this at the Halton Regional Police headquarters provide full mobile and portable radio coverage for entire regions, along with automatic identification and emergency systems.

Repeat order for Fibre-Glass Reinforced Epoxy (FRE) duct to protect power and communications cable beneath desert in Saudi Arabia was received by the St. Andrews, Québec, Plant.



electrical products for the construction industry. Included are circuit protective and wiring devices, distribution assemblies, wire and cable, ballasts and lighting fixtures, heating products and traffic control equipment.

Because its business is so closely tied to the level of construction activity, the Department's results have been affected by the downturn in this important segment of Canada's economy. However, the Department has continued to respond to new customer requirements.

Among these are products designed to reduce energy, installation and maintenance costs, including lighting control devices, higher efficiency ballasts and lighting systems and electric heating products.

As well, the Department is being responsive to concerns for higher safety standards by incorporating an array of new product features particularly in the wiring and circuit protective devices lines.

Emphasis is also being placed on reduction of product and distribution costs through increased mechanization, tighter controls, improved manufacturing systems and waste reduction.

Among the wide variety of products manufactured during 1977, two shipments are worthy of note because of their unique nature — the provision of half a million feet of marine power and control cable for two new Canadian icebreakers and the airlift to Northern Italy of 2,000 specially equipped baseboard heaters after the disastrous Friuli earthquake.

MATERIALS AND SPECIALTY SYSTEMS

Materials and Specialty Systems Department illustrates the diversity of Canadian General Electric. Only a part of the Department's business has an electrical association — it manufactures a variety of products including silicones, Lexan® sheet, resins, molded plastics, mobile radio and television broadcasting equipment and tungsten carbide tools. Aircraft jet engines, the world-wide information services of the General Electric Mark III® computer network and a variety of other products are also within the Department's scope.

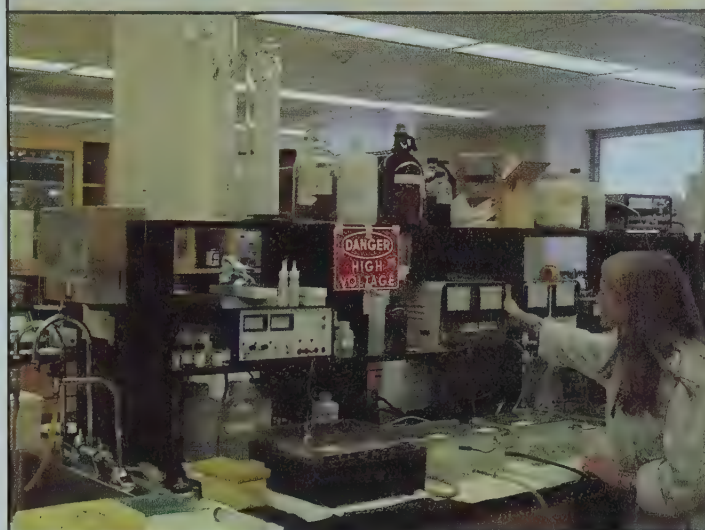
The Department, particularly the Materials side, has been through a period of consolidation as a result of the



Ten-foot integrating sphere measures light output. Below, WATT-MISER fluorescent installation saves Toronto hospital energy dollars.



Fast response equipment for measuring output of FLIP-FLASH photo lamps. Below, manufacturing facility for fluorescent lamps.



economic downturn. But action taken in 1977 to trim product lines and emphasize productivity and new market opportunities had a significant positive impact on operations.

The two plastic businesses, Molded Plastics at Cobourg, Ontario, and Filament-wound Reinforced Epoxy (FRE) at St. Andrews, Québec, along with the Carboly operation (tungsten carbide) in Toronto, experienced significant improvement in 1977. Two others, Mobile Radio and Information Services, both based in the Toronto area, also made progress during the year.

The market for the Mark III Computer Service is seen as an important growth opportunity. The Department offers an information processing and special program service and sells terminal units which provide access to the most comprehensive computer network in the world.

A repeat export order for \$3 million worth of FRE duct manufactured at the St. Andrews plant was received late in 1977. This special duct, which is virtually non-degradable, is used to shield power and communication cables buried in the desert at the site of the new Jeddah airport in Saudi Arabia. The design and technology of this product was developed completely by Canadian General Electric.

LAMPS

Lamp Department manufactures a wide range of incandescent, fluorescent, high intensity discharge and photoflash lamps in plants in Toronto and Montreal, and in two plants in Oakville, Ontario. This broad product offering serves the commercial and industrial, retail, photographic, automotive and export markets.

In 1977 the Department, in keeping with the nation's need to conserve energy, launched a conservation program to help commercial and industrial users better

utilize electrical power consumed for lighting.

Through computer analysis, this program evaluates lighting systems and provides data on the electric power that can be saved, the investment required, the lighting level obtained, and the return on investment achieved by the use of newer, more efficient light sources.

The Department also introduced several new energy saving products, including more efficient WATT-MISER® fluorescent lamps, lower wattage high intensity discharge lamps and elliptical reflector incandescent lamps. New products such as FLIPFLASH® photographic flash lamp units were supported by a record level of investment in plant equipment. In recognition of its marketing and sales promotion programs for the electrical industry, the Department received an award from the Canadian Electrical Distributors Association.

The Lamp Department continued to penetrate the export market. During 1977, exports to more than 30 countries helped significantly to offset a soft domestic market.

HOUSEWARES AND HOME ENTERTAINMENT

Housewares and Home Entertainment Department was formed January 1, 1977, to include four product businesses: housewares, audio products, television and central air conditioning.

In Housewares, emphasis continued on quality, productivity, marketing and service. New investments included a \$250,000 mini-computer to streamline control of raw materials and components at the Housewares Plant in Barrie, Ontario. Fifteen new products included slow cookers, deep fryers, drip coffee makers, a food processor and hair dryers.

In Audio Products, a new 40-channel CB radio line was introduced together with new tape recorders and walkie talkies.

Housewares and Audio Products customers are now offered over-the-counter replacement of defective products within 30 days of purchase. A new 50,000 sq. ft. central repair and national parts centre was opened in Barrie.

The Television business introduced the vertical interval reference (VIR) system which automatically adjusts colour by reference to a signal broadcast with many programs.

Central Air Conditioning was relocated in new premises in Toronto to prepare for future growth, focussing on the GE Weathertron® heat pumps in response to the growing recognition of the need to conserve energy. Marketing activities were expanded in Alberta, British Columbia, Manitoba and Ontario.

Despite softness in all four markets, sales exceeded prior years, due to many new products and effective marketing.



The Housewares and Home Entertainment Department anticipates a major market in heat pumps (1). Among the many new products that had contributed to the Department's growth were coffeemakers (2) a line of CB radios (3), hair dryers (4), and a food processor (5).



Major improvement in customer service was provided by OLORDE computerized inventory, pricing and ordering facility that ties major centres to computer for immediate product availability and pricing data.

Gescan's new fleet of service vehicles are decked out in brown and orange colors.



special "Reduced Material Cost" plan with which Gescan has simplified ordering and billing procedures. This program, in addition to reducing costs, enables the customer to reduce inventory as much as 75 per cent. It requires minimal paperwork and is a first in the electrical distribution industry.

In a competitive marketplace, salespeople must be knowledgeable and highly motivated. Gescan in 1977 developed and introduced a unique Sales Training and Education Program — STEP 1 as part of its continuing improvement of distribution and marketing services.

Genelcan Limited

Genelcan Limited was founded in 1963 to provide specialized financing to builders and developers. Since 1972 the Company has expanded its activities to offer a comprehensive range of financing and leasing services to Canadian business and operates two major divisions, Real Estate Development and Commercial-Industrial Equipment Financing.

In Real Estate Development, the Company provides construction and bridge financing, land development loans and residential and commercial property mortgage financing.

In Commercial-Industrial Equipment Financing, the Company provides purchase credit for machinery and equipment, inventory and working capital loans, in addition to arranging the purchase of machinery and equipment for lease to its clients.

Genelcan's operating management has a wide range of financial and equipment leasing experience, gained over many years of working with Canadian businessmen to provide funds for modernization, expansion and new business opportunities. Genelcan people take pride in giving personalized service and assistance in solving financial problems.

Gescan

Gescan Department, Canadian General Electric's distribution arm, handles about 50,000 products from 100 manufacturers, including CGE, through a network of service counters and warehouses across the country. Its main customers are in the construction industry and in commercial and industrial maintenance.

Some of its largest orders for electrical products in 1977 were for the Syncrude oil sands extraction project in Alberta, a variety of new government buildings such as the Tax Data Centre in Ottawa, commercial construction projects like Brunswick Square in Saint John and institutions such as Lions' Gate Hospital in North Vancouver.

Gescan does business in a highly competitive and service-oriented market, and as a result, much attention is focussed

on improving customer service and controlling costs.

One of the most significant customer service developments in Gescan's history was the establishment in 1977 of a computerized order and inventory handling system known by the acronym OLORDE (on-line order and data entry). With this system, tied to CGE's Corporate Information Processing Centre in Toronto, Gescan salespeople in major centres will have direct access to full inventory and pricing data and be able to inform customers immediately about availability and pricing. As well, the system will speed order processing, assist shipping procedures, identify back-orders and maintain inventory control — all aimed at faster, more efficient service for the customer.

OLORDE will also result in considerable operating efficiencies for Gescan.

Another important service program for industrial and commercial customers is a

Canadian Appliance Manufacturing Company

Canadian Appliance Manufacturing Company Limited (C.A.M.) in 1977 completed its first year of manufacturing and marketing major appliances.

The Company was formed through the merger of GSW Limited and CGE's major appliance operations, plus the subsequent acquisition of the major appliance business of Westinghouse Canada.

The objective of C.A.M. is to improve substantially its productivity through the rationalization of its manufacturing facilities, and the integration of supporting services. In the longer term, it is intended to be increasingly cost competitive with foreign manufacturers in order to defend the Canadian market, while becoming increasingly active in export markets.

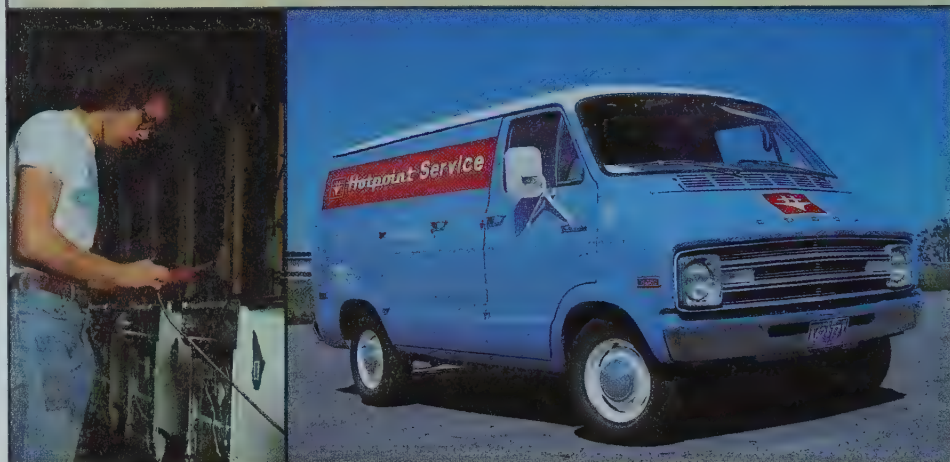
In 1977, the Company spent several million dollars in consolidating its laundry production in Montreal, and dishwashers at the Hamilton plant. Some refrigerator sizes were also consolidated in its London plant.

C.A.M. purchases a very large quantity of parts each year. To provide Canadian secondary industry with an opportunity to supply them, the company ran special vendor shows in Toronto and Montreal in 1977. Eight hundred present and potential parts suppliers attended. Full technical data and assistance were offered Canadian suppliers interested in providing parts not previously manufactured in this country. The Company's purchases of imported parts were reduced by \$9 million in 1977.

In the Canadian market, C.A.M.'s highlight of the year was the reintroduction of the Hotpoint brand. Although the name had not been widely used in Canada since 1956, it is one of the largest selling brands in the United States and continued to have consumer recognition in this country. A major billboard and radio campaign, built on the theme "Hotpoint — The Beautiful Appliances", introduced a complete line of appliances to the Canadian market in May. The line received excellent response



Vendor shows like this one were used to increase substantially the level of Canadian part manufacture.



Introduction of the Hotpoint line of appliances, including the dishwashers shown being manufactured at left, was a marketing highlight of the year. Right: the Hotpoint line is supported by 250 service vehicles working from 29 locations across Canada.

from the dealer organization, with most of the former Westinghouse dealers being franchised to sell Hotpoint appliances.

The Company is also striving for export business. It received its first offshore order in 1977, for 2,250 appliances to equip engineers' and workers' housing at the new city of Jubiel, Saudi Arabia. The order was placed by the Montreal prefabricated home firm, Domfab.

Financial Information

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Summary of significant accounting policies

The Financial Statements on pages 17-19 and the related notes on pages 20-22 are prepared on the basis of accounting principles generally accepted in Canada. As an aid in evaluating these Financial Statements, the most significant of the principles followed by Canadian General Electric Company Limited are described below.

Basis of consolidation

The Financial Statements in this report consolidate the accounts of the Company, of its wholly-owned subsidiaries, and the affiliated company in which it has a majority equity interest, except the sales finance companies which have been accounted for by the equity method. The sales finance companies have not been consolidated because their operations are dissimilar to those of the consolidated group and management believe that their consolidation would not provide the more informative presentation to shareholders.

All inter-company transactions and profits thereon have been eliminated in these consolidated financial statements. A list of active companies in the group is shown on this page.

Sales

Sales of products and services to customers are reported in operating results only as title to products and materials passes to the customer and as services are performed as contracted.

Pensions

Current service costs are funded and are charged to operations as they accrue. Past service costs arising from improvements to the plans are charged to operations over varying periods, as they are funded or accrued, which

approximate the remaining service lives of the employees affected.

Canadian General Electric and its affiliates have a number of pension plans. The most significant of these plans is the Canadian General Electric Pension Plan which uses the accrued benefit actuarial method.

Investments of Canadian General Electric Pension Trust, which funds the obligations of the Canadian General Electric Pension Plan, are carried at cost plus a programmed portion of unrealized appreciation on equities. This accounting reflects long-term market trends with the objective of adding to cost over time such amounts as will result in an average common stock book value not more than 90% of its average market value over the prior five years. There are limitations to the amount of unrealized appreciation which may be recognized at any point in time. The actuarial funding programme uses 6½% as the estimated rate of future earnings of the Trust.

Foreign currency transactions

Transactions in foreign currencies are translated at the rate of exchange in effect at the time of the transaction. Rates of exchange in effect at year-end dates are used to translate foreign currency balances in current assets and liabilities. Exchange adjustments are included in earnings.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method for substantially all inventories and is based on the cost of material, direct labour and manufacturing overhead.

Plant and equipment

Plant and equipment is recorded at the original cost of land, buildings, equipment and equipment leased to others, less accumulated depreciation. The diminishing balance depreciation method

is used to depreciate all plant and equipment except for leasehold improvements and certain equipment leased to third parties, which are being depreciated using the straight-line method. On major dispositions of fixed assets, the related costs and accumulated depreciation are removed from the accounts and any resultant gain or loss is included in earnings.

Expenditures for maintenance and repairs are charged to operations as incurred.

Research and development

Research and development expenditures are charged to operations as incurred.

Warranties

A provision for product warranty costs is made by a charge to operations in the year the product is sold.

Active consolidated subsidiaries

Amalgamated Electric Corporation Limited
Cange Limited
Dominion Engineering Works Limited
Dominion Engineering Company Limited
Genelcom Limited
Montreal Armature Company Limited
W. L. Stevens Ltd.

Active consolidated affiliate

Canadian Appliance Manufacturing Company Limited

Active non-consolidated subsidiaries

Genelcan Limited
Genelcan Realty Limited

Consolidated statement of earnings (\$000's)

For the year ended December 31	1977	1976
Sales of products and services (note 1)	\$1 079 727	\$879 427
Operating costs:		
Employee compensation, including benefits (note 2)	340 788	287 891
Materials, supplies, services and other costs	671 408	519 540
Depreciation	17 560	15 739
Taxes, other than on income	8 965	7 617
	1 038 721	830 787
Income from operations	41 006	48 640
Other income (note 3)	11 151	8 387
Interest and other financial charges	(6 448)	(1 434)
Earnings before income taxes, minority interest and extraordinary items	45 709	55 593
Provision for income taxes (note 4)	14 910	22 894
Minority interest	265	—
Net earnings before extraordinary items	30 534	32 699
Extraordinary items	—	2 264
Net earnings	\$ 30 534	\$ 34 963
Net earnings per common share before extraordinary items	\$3.73	\$4.00
Net earnings per common share	\$3.73	\$4.27

Consolidated statement of retained earnings (\$000's)

For the year ended December 31	1977	1976
Retained earnings, beginning of year	\$ 276 150	\$240 342
Net earnings	30 534	34 963
Dividends declared (note 5)	(12 681)	(11 455)
Transfer from general reserve	—	12 300
Retained earnings, end of year	\$ 294 003	\$276 150

The summary of Significant Accounting Policies on page 16 and the Notes to Financial Statements on pages 20-22 are an integral part of these statements.

Consolidated statement of financial position (\$000's)

At December 31	1977	1976
Assets		
Current assets:		
Cash	\$ 3 325	\$ 1 841
Short-term investments (note 6)	36 100	8 750
Receivables (note 7)	203 498	184 998
Inventories (note 8)	238 844	197 616
Deferred income taxes	15 093	13 573
	496 860	406 778
Costs recoverable under contract (note 9)	—	25 097
Long-term receivables (note 10)	41 308	39 949
Long-term investments (note 11)	6 700	6 011
Plant and equipment (note 12)	114 675	90 974
Deferred income taxes	2 934	—
Other assets	6 481	2 378
	\$668 958	\$571 187
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings (note 13)	\$ 59 851	\$ 8 851
Accounts payable (note 14)	64 040	49 503
Progress collections	70 495	98 643
Dividends payable	3 272	2 864
Taxes payable	22 820	7 849
Other liabilities and accruals (note 15)	95 208	71 509
	315 686	239 219
Deferred income taxes	—	11 382
Non-current accruals (note 16)	27 057	17 406
Minority interest	5 194	—
Shareholders' equity:		
Capital stock (note 17)	27 018	27 030
Retained earnings	294 003	276 150
Total shareholders' equity	321 021	303 180
	\$668 958	\$571 187

The summary of Significant Accounting Policies on page 16 and the Notes to Financial Statements on pages 20-22 are an integral part of this statement.

On behalf of the Board: A. S. Cartwright, Director
D. W. Timmis, Director

Consolidated statement of changes in financial position (\$000's)

For the year ended December 31	1977	1976
Source of funds:		
From operations	\$ 37 264	\$ 45 689
Dispositions of plant and equipment, net of tax	1 512	5 169
Decrease (increase) in costs recoverable under contract	25 097	(84)
	63 873	50 774
Application of funds:		
Increase in long-term receivables and investments	1 378	2 338
Plant and equipment additions	25 297	21 127
On merger and acquisition of appliance businesses (Note 18)	6 787	—
Dividends	12 681	11 455
Redemption of special employees' preferred shares	12	21
Increase (decrease) in other assets	4 103	(2 102)
	50 258	32 839
Net increase in working capital	13 615	17 935
Working capital at beginning of year	167 559	149 624
Working capital at end of year	\$181 174	\$167 559

The summary of Significant Accounting Policies on page 16 and the Notes to Financial Statements on pages 20-22 are an integral part of this statement.

Notes to financial statements

These notes amplify and explain the more significant items included in the Financial Statements on pages 17-19 and the application of accounting principles, including those specifically discussed on page 16.

1. Sales

Comparative sales for each major category of business appear with the highlights of operations on page 1. Sales for 1977 reflect the incremental effect resulting from the formation of the Canadian Appliance Manufacturing Company Limited

2. Employee compensation, including benefits

Employee compensation and benefits amounted to \$340.8 million in 1977 compared with \$287.9 million in 1976. The cost of benefits included \$25.4 million for Company pension and self-insured life and health plans (\$21.0 million in 1976) and \$15.5 million of Company costs for government pension plans, unemployment insurance, workmen's compensation, and health insurance (\$13.1 million in 1976).

During 1977, 15 persons served as Company directors and 26 as Company officers, including 2 who also served as directors. The aggregate 1977 remuneration to directors for their services as directors amounted to \$53,640 and the aggregate 1977 remuneration to Company officers was \$2,493,608.

Unfunded obligations of all pension plans in the consolidated group at December 31, 1977 are estimated at \$81.2 million, of which the vested amount is approximately \$36 million. These obligations are being funded over varying periods up to 15 years in accordance with government legislation. The most significant of these plans is the Canadian General Electric Pension Plan. The investments of the CGE Pension Trust for this plan are carried at cost plus a programmed portion of unrealized appreciation, which will result in an average common stock book value of no more than 90% of its average market value over the prior five years. At December 31, 1977, the average book value of common stock was 83% of its average market value over the past five years. The actuarial funding programme uses 6½% (6% in 1976) as the estimated rate of future earnings of the Trust. Condensed Financial Statements of the Trust are presented on this page:

Canadian General Electric Pension Trust Condensed financial statements (\$000's)

Operating statement

For the year ended December 31	1977	1976
Company contributions	\$ 10 115	\$ 13 246
Employee contributions	4 143	4 800
Dividends, interest and sundry income	12 672	11 004
Capital gains	384	17
Unrealized appreciation recognized	2 107	2 524
Pensions paid	(10 714)	(9 185)
	18 707	22 406
Assets transferred from (to) an affiliated company's pension fund	(10 418)	1 027
Total assets at beginning of year	181 215	157 782
Total assets at end of year	\$189 504	\$181 215

Financial position

December 31	1977	1976
Investments	\$189 127	\$175 793
Other assets (net)	377	5 422
Total assets	\$189 504	\$181 215

3. Other Income (\$000's)

For the year ended December 31	1977	1976
Net earnings of sales finance affiliates	\$ 670	\$ 467
Income from:		
Royalty and technical agreements	1 592	1 221
Customer financing	1 925	1 956
Long-term receivables	3 114	3 113
Short-term and other investments	1 452	788
Other sources	2 398	842
	\$11 151	\$ 8 387

4. Provision for income taxes (\$000's)

For the year ended December 31	1977	1976
Currently payable	\$ 30 746	\$25 684
Deferred	(15 836)	(2 790)
	\$ 14 910	\$22 894

The tax effect of timing differences between book and taxable income is recognized and is reflected as deferred income taxes in the Consolidated Statement of Financial Position. The 1977 provision for income taxes recognizes the benefit of the 3% inventory allowance.

5. Dividends declared (\$000's)

For the year ended December 31	1977	1976
Common shares	\$12 677	\$11 450
Special employees' preferred shares	4	5
	\$12 681	\$11 455

During the year, dividends were declared on common shares at the rate of \$1.55 per share and on the special employees' preferred shares at the rate of \$2.50 per share.

6. Short-term investments

Short-term investments are comprised of interest-bearing loans secured by commercial paper due on demand or within periods generally not exceeding 30 days.

7. Receivables (\$000's)

At December 31	1977	1976
Customers' accounts	\$176 670	\$136 998
Parent company and its affiliates	7 823	6 624
Progress payments to suppliers	11 297	33 104
Other receivables	7 708	8 272
	\$203 498	\$184 998

8. Inventories (\$000's)

At December 31	1977	1976
Raw materials and work in process	\$118 879	\$108 845
Finished goods	105 041	73 640
Unbilled shipments	14 924	15 131
	\$238 844	\$197 616

Unbilled shipments represent the cost of products shipped, for installation at customers' sites, to which title has not passed.

As stated in the summary of significant accounting policies, the first-in, first-out (FIFO) method is used to determine the cost of substantially all inventories. The last-in, first-out (LIFO) method is used to determine the cost of the copper and aluminum content.

9. Costs recoverable under contract

The costs recoverable under contract were realized by December 31, 1977.

10. Long-term receivables

Long-term receivables were discounted at interest rates prevailing at the time of the related transactions. Discounts are amortized over the term of such receivables.

11. Long-term investments

Long-term investments include the Company's investment in non-consolidated sales finance affiliates. Condensed consolidated financial statements of these affiliates appear below.

Genelcan Limited and its subsidiary Genelcan Realty Limited

Condensed consolidated statement of financial position (\$000's)

At December 31	1977	1976
Assets		
Finance receivables	\$61 520	\$55 556
Other assets	1 279	1 043
	\$62 799	\$56 599
Liabilities		
Short term	\$32 180	\$26 650
Long term	24 945	24 945
	57 125	51 595
Equity	5 674	5 004
	\$62 799	\$56 599

Condensed consolidated statement of earnings (\$000's)

For the year ended December 31	1977	1976
Earned income	\$7 666	\$7 058
Interest and other expenses	6 377	6 160
Earnings before income taxes	1 289	898
Provision for income taxes	619	431
Net earnings	\$ 670	\$ 467

Copies of Genelcan Limited's 1977 Annual Report may be obtained by writing to Genelcan Limited, 18 King Street East, Toronto, Ontario M5C 1C8.

12. Plant and equipment (\$000's)

Major classes at December 31:	1977	1976
Land and improvements	\$ 8 688	\$ 4 372
Buildings	97 778	86 013
Machinery and equipment	212 257	193 303
Leasehold improvements	1 688	1 077
	320 411	284 765
Less accumulated depreciation:		
Buildings	53 288	51 391
Machinery and equipment	151 924	142 074
Leasehold improvements	524	326
	205 736	193 791
Undepreciated cost at December 31	\$114 675	\$ 90 974

The depreciation rates applicable to buildings, and machinery and equipment are principally 5% and 20% respectively.

13. Short-term borrowings

Short-term borrowings at December 31, 1977 included \$54.6 million due to Canadian chartered banks compared with \$1.5 million at December 31, 1976. Of the amount due at December 31, 1977, \$53.8 million are borrowings of the appliance affiliate and are secured by a general assignment of the affiliate's accounts receivable and inventories.

14. Accounts payable

Accounts payable include amounts due to the parent company and its affiliates of \$23.2 million at the end of 1977 and \$23.8 million at the end of 1976.

15. Other liabilities and accruals

Other liabilities and accruals at December 31, 1977 included \$22.2 million (1976 — \$18.2 million) in respect of accrued employee compensation and benefits, \$18.4 million (1976 — \$17.2 million) in respect of accruals for warranties and \$4.4 million (1976 — \$3.3 million) in respect of accrued amounts due to the parent company.

16. Non-current accruals (\$000's)

At December 31	1977	1976
Accrual for pensioners life insurance benefits self-insured by the Company	\$18 965	\$13 545
Accrual for certain past service pension costs	10 457	6 461
	29 422	20 006
Less amount due within one year included with other liabilities and accruals	2 365	2 600
	\$27 057	\$17 406

Notes to financial statements (continued)

17. Capital stock (\$000's)

At December 31	1977	1976
Common Shares:		
Authorized, issued and outstanding 8,178,000 shares without nominal or par value	\$26 942	\$26 942
Special employees' preferred shares:		
Cumulative redeemable at par value of \$50 per share Authorized, issued and outstanding 1,522 shares (1976 - 1,746 shares)	76	88
	\$27 018	\$27 030

18. Canadian Appliance Manufacturing Company Limited

The Company merged, effective January 1, 1977, its appliance manufacturing, marketing, distribution and service business with the appliance business of GSW Limited – GSW Limitée, forming a new company, Canadian Appliance Manufacturing Company Limited, in which the Company holds 50% of the voting stock and has a 60% equity interest.

On July 1, 1977, the appliance affiliate acquired the household appliance business of Westinghouse Canada Limited. The effective date of acquisition for accounting purposes was January 1, 1977, and the results of operations of this business have been included in the financial statements of the appliance affiliate from that date. The incremental assets and liabilities included in the consolidated financial statements of the Company on the date of merger and acquisition of the appliance businesses are as follows (\$000's):

Assets	\$59 888
Liabilities	25 611
Net assets	\$34 277
Satisfied by:	
Cash and notes payable	\$29 347
Share capital of the appliance affiliate	4 930
	\$34 277

The amount of \$6 787 000 shown as an application of funds in the consolidated statement of changes in financial position is determined as follows (\$000's):

Net assets	\$34 277
Less working capital	22 560
	11 717
Less minority interest, arising from issue of shares by the appliance affiliate	4 930
Application of funds	\$ 6 787

19. Contingent liabilities

The Company is contingently liable under guarantee for notes payable by its non-consolidated sales finance subsidiary, Genelcan Limited, amounting to \$55.7 million. Other contingent liabilities consist of pending litigation and claims, guarantees and letters of credit, which, in the opinion of management, are not considered material in relation to the Company's financial position.

20. Temporary economic controls

The Company is subject to, and believes that it is in compliance with, the Anti-Inflation Act and Regulations.

Auditors' report to the shareholders

We have examined the consolidated statement of financial position of Canadian General Electric Company Limited and consolidated subsidiaries as at December 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 27, 1978

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Ten year summary

(Dollar amounts in thousands,
except per share amounts)

	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Sales of products and services	\$1 079 727	\$879 427	\$822 134	\$709 913	\$583 414	\$530 174	\$495 755	\$489 992	\$492 341	\$454 674
Net earnings (before extraordinary items)	30 534	32 699	36 075	23 893	18 680	16 504	13 212	11 359	14 901	13 823
—per share	3.73	4.00	4.41	2.92	2.28	2.02	1.62	1.39	1.82	1.69
—as a percentage of sales	2.8%	3.7%	4.4%	3.4%	3.2%	3.1%	2.7%	2.3%	3.0%	3.0%
Market price of last sale of the year:										
Per common share	\$24.50	\$23.00	\$24.25	\$20.00	\$26.50	\$32.00	\$28.00	\$19.50	\$24.50	\$33.50
Dividends on common shares	\$1.55	\$1.40	\$2.20*	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Current assets	\$496 860	\$406 778	\$441 296	\$382 615	\$256 300	\$233 667	\$240 943	\$253 379	\$256 127	\$241 028
Current liabilities	315 686	239 219	288 830	246 996	131 572	126 543	141 864	149 819	161 007	132 139
Total assets	668 958	571 187	602 435	563 754	429 720	409 951	412 918	409 922	417 818	381 040
Plant and equipment additions	\$25 297	\$21 127	\$21 094	\$24 775	\$14 194	\$15 042	\$16 712	\$18 320	\$40 351	\$45 349
Depreciation	17 560	15 739	16 840	18 491	16 481	17 241	12 615	13 374	13 849	13 382
Provision for income, property, and capital taxes	23 875	30 483	34 560	24 793	21 347	20 617	14 845	14 641	17 343	18 168
Average number of employees	18 823	17 512	18 789	19 193	17 890	17 583	17 950	19 789	21 268	20 866

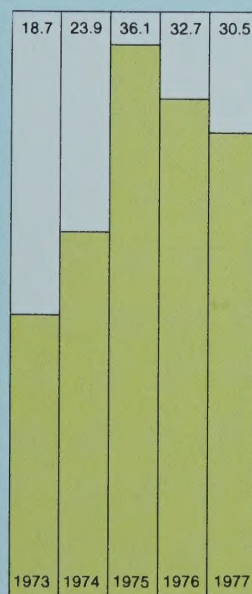
*Includes a special dividend of \$1.00 per share.

Five year summary

Sales of products and services
Millions of dollars



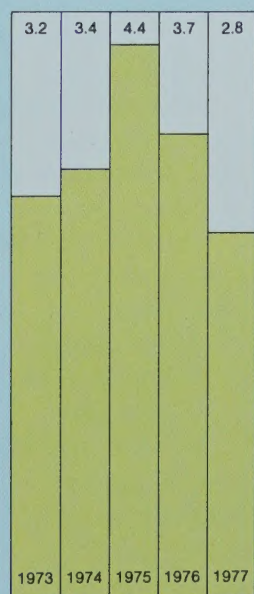
Net earnings
Before extraordinary items
Millions of dollars



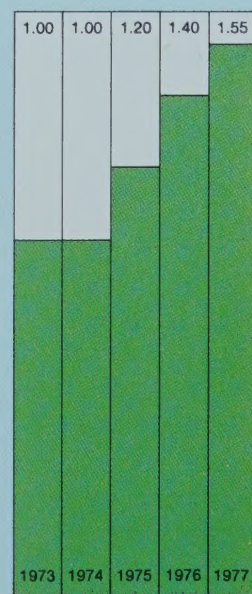
Net earnings per share
Before extraordinary items
Dollars per share



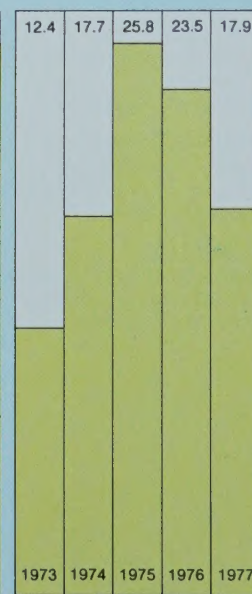
Earnings as a percentage of sales
Before extraordinary items



Regular dividends
Dollars per share



Reinvested earnings
Millions of dollars



Canadian General Electric Company Limited

Directors

John F. Burlingame,
Senior Vice President and Sector Executive—
International Sector,
General Electric Company,
Fairfield, Connecticut.

Alton S. Cartwright,
Chairman of the Board and Chief Executive Officer,
Canadian General Electric Company Limited,
Toronto, Ontario.

Stanley C. Gault,
Senior Vice President and Sector Executive—
Industrial Products and Components Sector,
General Electric Company,
Fairfield, Connecticut.

J. Peter Gordon,
Chairman of the Board and Chief Executive Officer,
The Steel Company of Canada, Limited,
Toronto, Ontario.

Edward E. Hood, Jr.,
Senior Vice President and Sector Executive—
Technical Systems and Materials Sector,
General Electric Company,
Fairfield, Connecticut.

Robert B. Kurtz,
Senior Vice President,
Corporate Production and Operating Services,
General Electric Company,
Fairfield, Connecticut.

Hon. Maurice Lamontagne, P.C.,
Member of the Senate of Canada,
Ottawa, Ontario.

William F. McLean,
President,
Canada Packers Limited,
Toronto, Ontario.

Mackenzie McMurray,
Corporate Director,
Montreal, Quebec.

Maxwell C.G. Meighen, O.B.E.,
Chairman of the Board,
Canadian General Investments Limited,
Toronto, Ontario.

Denis W. Timmis,
Business Executive,
Vancouver, British Columbia.

Antoine Turmel,
Chairman of the Board and Chief Executive Officer,
Provigo Inc.,
Montréal, Québec.

Walter G. Ward,
Chairman of the Board,
The Algoma Steel Corporation, Limited,
Toronto, Ontario.

Alva O. Way
Senior Vice President—Finance,
General Electric Company,
Fairfield, Connecticut.

Management

Alton S. Cartwright
Chairman of the Board and Chief Executive Officer

Operations

William R.C. Blundell
VP and Division Executive, Apparatus and Heavy Machinery Division

L. Robert Douglas
VP and General Manager, Apparatus and Heavy Machinery Sales Department

Max Drouin
VP and General Manager, Dominion Engineering Works

Walter R. Fell
General Manager, Power Generation Department

Merritt E. Gordon
VP and General Manager, Industrial Apparatus Department

D. Forrest Rankine
VP and General Manager, Power Delivery Department

Robert T.E. Gillespie
VP and Division Executive, Consumer and Construction Products Division

Russell M. Baranowski
VP and General Manager, Housewares and Home Entertainment Department

Richard T. Martin
VP and General Manager, Construction Products Department

Walter E. Noble
VP and General Manager, Materials and Specialty Systems Department

Robert Story
VP and General Manager, Lamp Department

Archibald F. Johnston
VP and General Manager, Gescan Department

Corporate

Douglas R. Brown
VP—Human Resources Project

Victor L. Clarke
VP and Corporate Executive, Corporate Strategic Planning and Development

David F. Abel
VP—Corporate Strategic Planning and Review

Richard C. Johnston
VP—Corporate Technology Planning and Development

Francis Moskal
VP—Corporate Manufacturing Planning and Review

Ivan R. Feltham, Q.C.
VP—External Affairs, General Counsel and Secretary

Robert N. Fournier
VP—Corporate Customer Relations

Carl B. Haller
VP—Finance

William J. Briggs
VP and Treasurer

V. Gerold Staff
VP and Comptroller

Harry W. Johnson
Manager—Corporate Employee Relations

Corporate Headquarters

Commerce Court North
25 King Street West, Toronto, Ontario

Mailing Address:

P.O. Box 417, Commerce Court North
Toronto, Ontario M5L 1J2

Subsidiaries

Amalgamated Electric Corporation,
Limited
Cange Limited
Dominion Engineering Company Limited
Dominion Engineering Works Limited
Genelcan Limited
Genelcan Realty Limited
Genelcom Limited
Montreal Armature Company Limited
W.L.Stevens Ltd.

Affiliate

Canadian Appliance Manufacturing
Company Limited

Auditors

Peat, Marwick, Mitchell & Co., Toronto, Ont.

Transfer Agent and Registrar

National Trust Company, Limited,
Toronto, Ont.



**Canadian
General Electric**
Company Limited

Corporate headquarters: Commerce Court North, 25 King Street West, Toronto, Ontario